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The newspaper of drug store retailing

March 18, 1991

DRUG STORE NEWS

Vol. 13 No. 6

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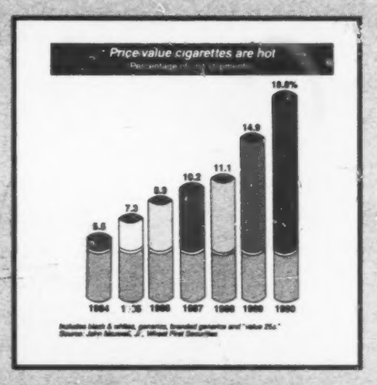
LATE NEWS

• **OAK BROOK, Ill. — American Drug Stores has moved buying and administrative functions for its Skaggs division from Texas to Osco headquarters here.**

• **MINNEAPOLIS — Thrifty-White Drug has resumed using Snyder Drug as its primary wholesaler for general merchandise, HBA and seasonal.**

FEATURES



Value-pricing drives tobacco

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Long, Roath take top spots at Longs

By James Frederick

WALNUT CREEK, Calif. — In a widely anticipated move, Longs Drug Stores has named Stephen Roath to replace Bob Long as president of the $2.3 billion, 262-store chain. Long, who remains chief executive, has been appointed board chairman.

Both appointments were precipitated by the death last Dec. 28 of former chairman and company co-founder Joe Long.

In another move which signals the growing importance of retail automation efforts at Longs, chief information officer Chuck Bostwick, 41, has been made a vice president. A veteran of Mervyn's and one of the few Longs executives who haven't come up through the ranks, Bostwick joined the company in late 1989 to head up its point-of-sale and retail information systems development.

Roath

Long

Roath, 50, is a 27-year Longs veteran whose promotion to executive vp in 1988 put him in line for the No. 2 spot at the company. He began with Longs as a pharmacist and moved up through the ranks in store management, becoming vp and head of professional affairs in 1977 and a member of the board two years later. In 1983, Roath was named senior vp-marketing.

Known for his outgoing and direct nature as well as his fierce loyalty to Longs employees, Roath complements well the quieter management style of his boss, Bob Long. Both men share a career-long devotion to the company's decentralized approach to store management and operations.

The appointments became effective as Longs announced

See **Longs** *page 95*

Perry pushes back into the black

PONTIAC, Mich. — After posting a fiscal 1990 loss that surprised and disappointed financial analysts, Perry Drug Stores seems to have regained its upward momentum. The 228-store chain reported $1.4 million in net profits on sales of $171.1 million for the first quarter ended Jan. 31.

Perry chairman and ceo Jack Robinson attributed the quick return to positive earnings territory in part to a major, $1.5 million cut in administrative expenses, among other factors. That expense decline followed a series of sharp and sometimes painful cost-cutting moves in recent months, including the elimination of 10 percent of the headquarters workforce.

Other factors pushing Perry back into the black include the completed installation of PerryLink, the chain's on-line, powerful pharmacy computer; and a 24.6-percent increase in pharmacy sales in the first quarter vs. the same period last year, to

See **Perry** *page 95*

Poisoned Sudafed has FDA eyeing capsule phase-out

By Susan Ball

The OTC capsule's days could be numbered as a result of the deaths of two persons and serious injury of a third after ingesting cyanide-laced Sudafed 12-Hour Capsules in the Tacoma-Olympia, Wash., area.

The Food and Drug Administration said it was setting up a task force to consider asking manufacturers to phase out the capsule form of OTC medication delivery voluntarily. An FDA spokesman confirmed that every poisoning fatality involving an OTC medication since the 1982 Tylenol episode has involved drugs in capsule form.

A spokeswoman for Burroughs Wellcome Co., which launched a nationwide recall of all its Sudafed 12-Hour Capsules March 3, said, "Obviously, the latest incidents will cause Burroughs Wellcome and other manufacturers to look at the capsule issue again." She said the company is considering a time-release caplet as one alternative.

She declined to estimate the cost to the company of the recall and lost sales. Sudafed product sales in 1990 were $109 million, of which Sudafed 12-Hour Capsules accounted for 15 percent, accord-

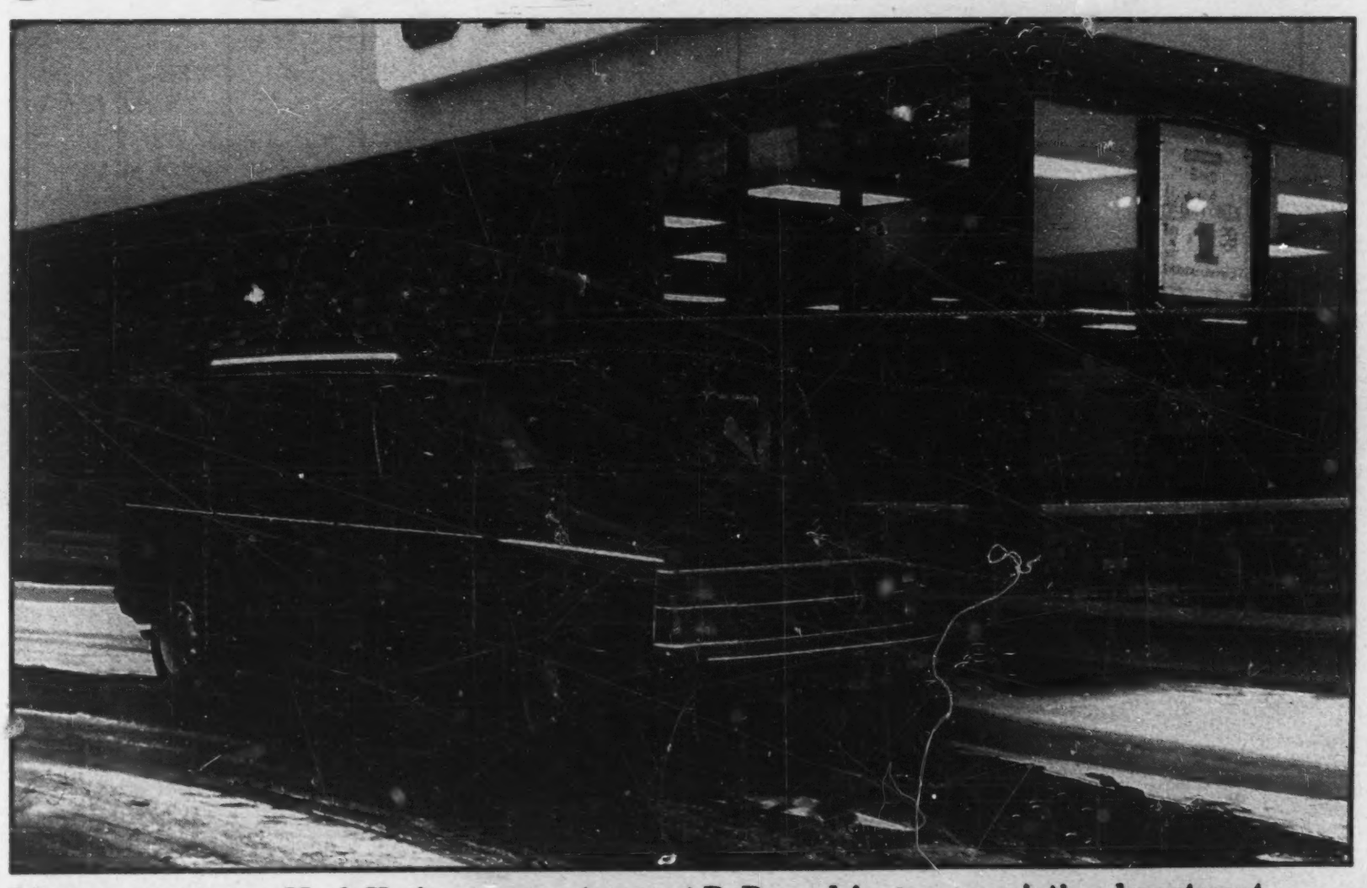
See **Sudafed** *page 95*

Walgreens gives green light to drive-thru Rx

CHICAGO — After several months in operation, Walgreen Co.'s first drive-through pharmacy window has been successful enough to prompt the chain to extend the test to another city.

Walgreens installed the drive-through at its Belmont Avenue RxPress pharmacy in Chicago last year, and president Dan Jorndt called early customer response "favorable" when discussing the test in January. The chain is adding drive-through windows at all six RxPress pharmacies it opens in Evansville, Ind., this year.

"Surprisingly, the drive-up [on Belmont] is getting use, despite the fact that there's no advertising for it, and space to get a car in and out is pretty tight," added a Walgreen spokesperson. "Evansville will be different. We'll go in there with a well-developed ad campaign for it."


Pharmacy manager Mark Kreis serves customer at RxPress drive-up prescription department.

NEWS IN BRIEF

NACDS names new vp of gov't. affairs

ALEXANDRIA, Va. — NACDS has named David Lambert III as vp-government affairs, with responsibility for strengthening the trade group's role on Capitol Hill and directing state government affairs activities, said Ronald Ziegler, NACDS president and ceo.

Most recently with Lambert & Associates, a consulting firm, Lambert's background is in government relations and public affairs. He was vp-government affairs and then executive director of the National Association of Insurance Brokers from 1982 to 1989, and has been press secretary to Mississippi's U.S. Sen. James Eastland.

NACDS has also retained the services of Joseph O'Neill, former president of the American Retail Federation (now the National Retail Federation). As a consultant, he will focus on high priority issues before Congress.

Also, Roy Bussewitz, former federal government affairs director at Glaxo, will serve as a full-time consultant to NACDS. He will help develop a program on third party payers, and address regulatory issues.

Harco doubles DC size

NORTHPORT, Ala. — Harco recently broke ground on a 100,000-square-foot addition to its 135,000-square-foot distribution center here and expects it to be up and running by early 1992.

The added space will "give us room to grow," said Frank Gable, director of sales at the 161-store chain, which opens 6-8 stores a year.

Harco plans to upgrade sortation by converting to scanning, which will improve accuracy and productivity, and expand the conveyor system, Gable added.

Arbor adds stores

TROY, Mich. — Strong same-store sales gains and rising profits continue to fuel a rapid expansion program at Arbor Drugs. The chain opened 11 new stores in the first half of fiscal 1991 ended Jan. 31, and plans to add at least four more units in the second half. Store count now stands at 109 units, all in Michigan.

"Over the past 12 months, we have increased our store base by 20 percent," said chairman and ceo Eugene Applebaum. "One benefit of this growth is the creation of nearly 500 new jobs this year. . .Today, Arbor has over 3,500 employees."

Same-store sales gains for Arbor stores open a year or more were 9.1 percent in the second quarter.

Bartell's Rx director Stenberg dies

SEATTLE — Kenneth Lawrence "Larry" Stenberg, the director of pharmacy at Bartell Drug, died suddenly at his home March 4. He was 48 years old.

"It was a shock to all of us here and to his family," said George Bartell, president.

Stenberg joined Bartell 15 years ago as a pharmacist, became head pharmacist, and then pharmacy supervisor.

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Brunner: Retailers, suppliers must form info alliances

GRENELEFE, Fla. — Vern Brunner, Walgreens' executive vp of marketing, told executives here that the time had come to build retail and supplier systems that work together to exchange "the information necessary to build the pie."

Brunner, presenting "the retailer's view" to some 275 execs attending NACDS' distribution/logistics conference, said the alliances needed to achieve that goal required communication and trust.

He pointed out that building trust wasn't easy. "Toyota took 20 years to refine their [just-in-time inventory system]," he said, "but I would bet that it didn't take 20 years to develop the systems. I bet it was the consistent trust between supplier and consumer that took those 20 years."

Two scenarios

To illustrate how easy it is to break the trust, Brunner "painted two pictures."

In one, a buyer sends a purchase order requiring a "ship to arrive date of X. You work like hell to meet that date. . .even put in some overtime to get the goods to us as requested. Then they arrive at our D.C. and we give you an appointment two weeks out. Is that the way we should do business? . . .I don't think so."

In the second scenario, "our D.C. is out of stock, the order is late, we try to expedite and we're told: 'I'm sorry, but the financial department saw we had the quarter made and they wanted to hold it for the next quarter. Is that story possible in your company?" If so, he said, "watch out, the nineties are going to be a rough ride."

Brunner also lightly skewered several top manufacturers for using the same UPC bar codes for regular products and the same products with promotional add-ons or new packaging.

'I think we do a disservice to the marketing community by anchoring tomorrow's decisions in yesterday's system constraints.'
— Vern Brunner, Walgreens

Bar codes questioned

"I don't think that a new UPC is too much to ask for when there is a substantive product or packaging change," he said.

"I know the [Food Marketing Institute] folks have been pushing you for less UPC's because their systems maintenance is reaching a point where they can't handle it," Brunner said. "But I think we do a disservice to the marketing community by anchoring tomorrow's decisions in yesterday's system constraints."

Brunner also focused on Walgreens' Strategic Inventory Management System, known as SIMS. Without the new system, he said, the chain was facing an inventory of $5.4 billion by the year 2000. "That was a record we didn't want to set. With our new system we plan to be at no more than $2.4 billion, freeing up $3 billion for reinvestment and growth."

Closing the loops

He added: "The SIMS system is designed to allow us to close the twin loops of product and information flow from our stores to our vendors. It is being built to provide us a view of the entire inventory pipeline as we know it."

Brunner pointed out that the system and other technological developments were being developed against a national backdrop in which "as many as 60 million people are classified as no better than marginally literate. . .Although we devote a lot of money to human resource development, we can't fund the remediation of the mistakes of the public education system. All of us must improve our productivity by improving our systems and technology."

Ralphs sets stricter UPC policy

By David Vaczek

COMPTON, Ca. — Ralphs Supermarkets has launched a new UPC code policy after a survey showed that one third of products' codes had quality problems.

In a notably aggressive program, the 130-store chain sent letters to 1,000 of its vendors advising them that codes on their products had flunked a quality test. Problems include below-par print contrast and print quality, and truncated and poorly-located symbols, said Jay Wiley, Ralphs supervisor of store scanning.

Wiley said Ralphs has received a strong positive response from vendors. Truncated codes can be fairly easily remedied, Wiley said, but some improvements won't show up for a while as "we're not asking anybody to destroy packaging," said Wiley.

The absence of a standard for code verifying devices opens a window for dispute, Wiley concedes. A percent of vendors who received Ralphs letter pointed out the lack of a commonly-accepted device.

Standard verifying device

The Uniform Code Council, which has created the standard for the UPC code, is now drawing guidelines for a standard code verifying device, according to Hal Juckett, UCC executive vp.

"We are trying to understand the technical problems so we can write a specification that would be the basis for a reliable, consistent device," said Juckett.

Ralphs used an RJS Inspector III verifier, which uses methodology for grading the symbols set by the American National Standards Institute. Each item was scanned "at least five times."

Ralphs in its UPC policy requires internal verification of symbols before products are purchased, and the assessment of recovery charges for costs incurred in handling items with UPC errors.

UPC integrity vital

UPC code integrity allowing accurate item movement data is a cornerstone for scanning and related systems. Ralphs requires this to support systems under developmentt including computer-assisted ordering, space management and receiving of direct-delivery receiving.

System integrity isn't the only advantage. "For every one percent we raise the first read rate, we save $316,000 in labor," said Wiley.

Ralphs was spurred to study the UPC codes after an upgrade in scanning equipment—to 750A Spectra Physics lasers and IBM 4680 registers — failed to improve the first read rate, which stayed at 85 percent, said Wiley.

After finding that the price look-up file was 99 percent accurate, Wiley, in a Duarte, Ca. store, tested 20,000 SKUs for bar code quality. On an "A to F" scale, 32 percent funked with a score below "C."

"There is a direct correlation between poor first read rates and the Institute's scores of "D" or "F," Ralphs told vendors.

0273-3080

Ship to shore, P&G changes ways of yore

IN THE MARKET
BRUCE BUCKLEY

Mal Jozoff of Procter & Gamble told a story to illustrate how times have changed at the giant consumer products company.

Picture this, Jozoff said: Two signal lights at sea flashing frantically at one another trying to avoid a collision. One signals: Change your course 10 degrees south. The other replies: Change *your* course 10 degrees north.

From the first: I'm a captain. *Change your course!* The reply: I'm a seaman first class. *You change your course!*

Outraged, the captain has his signalman flash: *I'M ON A BATTLESHIP! CHANGE YOUR COURSE!*

Comes the reply: *YOU CHANGE YOUR COURSE, I'M IN A LIGHTHOUSE!*

Not so long ago, said Jozoff, P&G's group vp, "we'd plow right over that lighthouse. Today the lighthouse is helping us to find direction."

The lighthouse, of course, represents Procter & Gamble's retail customers, who, increasingly, are considered partners rather than second-class colonials in the effort to market P&G products.

P&G is not the only company that's come to realize that the once lopsided relationship between major manufacturers and chains was overdue for a change. Part of the reason, of course, is that scanning technology has begun to shift the information balance. Big retailers no longer have to rely wholly on manufacturers to tell them what's happening. The righting of the balance has been mostly healthy. And in fact has been seen as such by more companies like P&G who are using alliances with retailers to build sales and profits throughout the distribution chain.

Jozoff, a keynote speaker at NACDS' distribution-/logistics conference last month at the Grenelefe Resort in Grenelefe, Fla., had other comments for attendees. Much of it was targeted at an audience made up largely of distribution/logistics executives. Jozoff was quick to point out that the distribution/logistics function is key to P&G, accounting for some $2 billion—second in cost only to materials purchasing on P&G's ledger sheet.

Among the areas of potential cooperation: Expanding electronic data interchange in order to eliminate paperwork, assure continuous replenishment, increase turns and maintain almost 100 percent service levels. Jozoff noted that POS data is driving this expansion of EDI technology. "It's not for everyone," he said. "But we're committed to working" with retailers at whatever level.

Other areas of potential cooperation, he added, include expansion of backhauling and preappointment delivery scheduling; internal product handling procedures to avoid damaged goods and yield "enormous savings to all of us"; and "helping us to improve ordering, shipping and billing accuracy."

Most important of all, Jozoff said, was "open, honest communication. . .the glue to all of this."

"Please encourage your organization to communicate openly and freely with us," he told the audience.

Will it happen overnight? Hardly. A day earlier, Walgreens' executive vp of marketing, Vern Brunner, pointed out how long it takes to develop a relationship based on trust *(See story, page 2)*.

"We see a lot on the news today about 'the alliance' and what is working and what is not," he said. "Let's talk about alliances, about partners and partnership-. . .because there is a big difference between asking for a slot on the dance card and getting married."

Brunner went on: "One of the key elements for enduring relationships is trust. Trust—slow to develop and easy to break."

Or using Jozoff's earlier image: easy to founder on the rocks at sea.

Mandatory consultation is double-edged

THE HUMAN SIDE
AL HELLER

Scene one: Jane visits her drug store to get a prescription filled. She doesn't see the pharmacist, except from a distance. The pharmacist is so busy he can hardly look up. Jane, who is being served by a clerk, is anxious because she has a question about how to take her medicine.

She doesn't ask for advice because the line is backing up behind her and the pharmacy lacks an area for private consultation.

Scene two: Cindy is one of two harried pharmacists in a chain store. Three phone lines are ringing and waiting customers are impatient. One shopper, unappreciative of the wait, yells: "What takes you so long. All you do is pour pills from one bottle to another."

Cindy bites her lip, and recognizes the patient as one who calls on the phone for advice.

It's a jungle out there—for pharmacists, technicians and patients.

To minimize errors in medicine dispensing and usage, 13 states have so far legislated mandatory consulting. And California came close this year.

What do the ranks think of it? Well, one pharmacist in a Walgreens store that fills 400 scripts a day, said: "What a load. I guess the laws are well intentioned, but they're not realistic."

Others would argue they are—in part for exactly that reason of time pressure. As reported in this issue's second lead story on mandatory counseling *(See Drug Store News For The Pharmacist, page 1)*, Dan Boesen, executive director of the Arizona Pharmacy Association, said that "some of the greatest support (for that state's recently enacted law). . .came from the individual pharmacists employed at the chains."

Consultation sets patients straight on what they are using, how to take it, precautions, interactions and special storage needs. It also forces a pharmacist or intern to spend extra time—even if it's a minute—reviewing the prescription with patients, and assuring it is filled properly.

In settings that allow the time, pharmacists largely prefer to spend time counseling. They don't like to think of themselves as highly paid pill-filler-clerks.

But the drug chains that fill the bulk of the nation's prescriptions raise crucial economic concerns: filling scripts will become costlier, separate consultation areas would need to be built and broadened technician duties could lead to more errors in high-volume pharmacies. Mix in the pharmacist shortage too.

Indeed, many chains have given consultation more than lip service—without legislative prompting. Revco launched a pilot consultation program this winter. Longs tested the impact of OTC counseling by fourth-year pharmacy students in the aisles. Many chains have redesigned pharmacy counters to encourage quiet discussions between patients and professionals. Eckerd, Wal-Mart and May's are using information kiosks to service customers without burdening pharmacists.

Chains have clearly made decisive moves in this direction, and that is why mandatory consulting laws are such a tough pill for many to swallow.

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VP/Publisher JAY FORBES
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Bureau Editors: James Frederick (Sr. Editor, Cleveland; (216) 642-3420), Elizabeth Richardson (Field Editor, Dallas; (214) 964-1778), Ken Ranklin (Bureau Chief, Washington; (301) 774-3895), Deane Evans (Washington)

Art Director Bob Brokman
Graphic Artist Maryellen Seary

Associate Publisher/
National Adv. Manager JILL MANEE

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Value-pricing boosts sales in tobacco category

Price/value cigarettes look more attractive than ever in 1991. New cigarette taxes that push full-priced brands further beyond smokers' pocketbooks, and vendors' new "generic" packings will stimulate growth.

Price/value packings drove ahead in 1990, accounting for 19 percent of vendor shipments.

"There's every reason to expect that trend will continue," said Pat Stone, a spokesman at Brown & Williamson, a price/ value leader.

B&W, for example, in April, 1990, launched Raleigh Extra, an "extra low priced" extension of its long established Raleigh brand. The vendor has been adding styles to Viceroy, which was repositioned in 1989 as a "low priced" cigarette.

Gaining ground, says tobacco analyst John Maxwell, Jr. of Wheat First Securities:

- Sub-generics, such as Philip Morris's Bristol, Liggett Group's Pyramid and American Tobacco's Misty Slims.
- Branded generics, such as B&W's Bel-Air, RJR's Doral and Magna, and Philip Morris' Cambridge.
- "Black and whites." Overall consumption dropped, however, by two to three percent, maintaining the annual decline of recent years.

As if the category's segmentation wasn't challenging enough, R.J. Reynolds introduced Sterling last year. The cigarette is positioned as a premium quality brand that carries a permanent $3 coupon on each carton. Thus, it's a hybrid that competes with other premium 100mm brands, as well as price/value styles, a spokesperson said.

Impact of taxes

The main effect of ongoing new cigarette taxes is to raise the price to the consumer; most drug chains have passed taxes through to the retail price. That's not true in all instances, with the federal excise tax that went into effect Jan. 1 raising the per pack tax bite by a nickel to 20 cents.

In Tennessee, "retailers are reluctant to pass the full tax burden onto customers," says Jim Hobbs, senior merchandise manager at Begley/ Health Mart Drugs of Knoxville. Begley takes a 10 percent gross on cartons, and 20 percent to 30 percent on packs.

"It's a low gross; plus, there's a short-term float," with the retailer required to pay the distributor for the cigarettes in seven days, he said.

Balanced merchandising

Many drug chains have tried to strike a balance in cigarette merchandising: on the one hand, maintaining consistently fully-assorted departments that can maximize sales, while playing down the category through low-profile merchandising and little, if any, advertising.

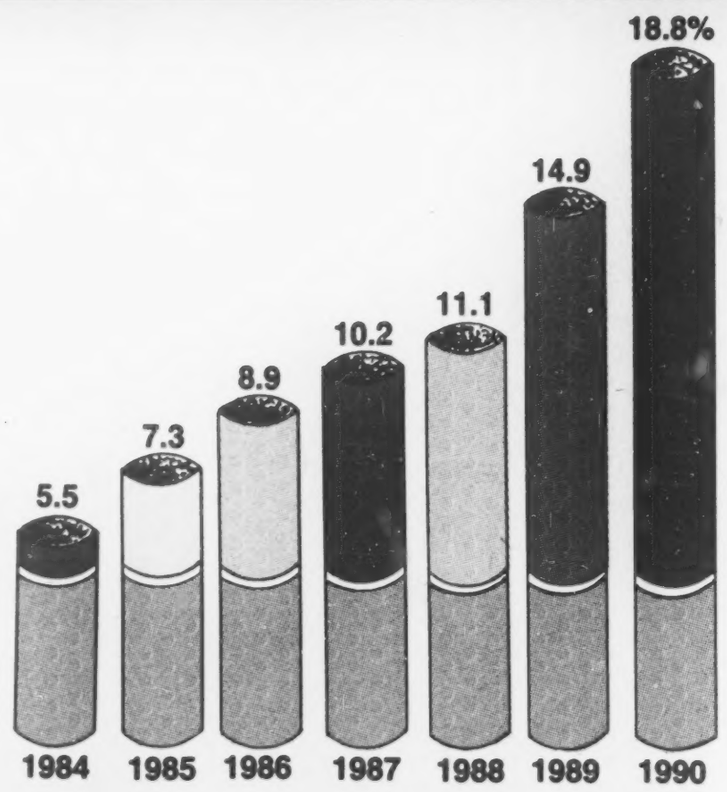
Bartell Drug in the state of Washington downplays cigarettes. And that philosophy will prevail even if a current move to eliminate a gross margin floor is successful, says Val Storrs, Bartell's senior vp of operations.

"We have never advertised cigarettes and we don't plan to. We don't want to be in the position of encouraging people to buy cigarettes," he said.

Several retail sources said that the effort to block reinstatement of the gross margin floor law (which is set to expire) is being led by warehouse club operator Costco.

The main effect of ongoing new taxes is to raise the price to the consumer.

Price/value cigarettes are hot
(Percentage of unit shipments)



Includes black & whites, generics, branded generics and "value 25s."
Source: John Maxwell, Jr., Wheat First Securities

Minors buy cigarettes, retailer gets sued

BOSTON — A Boston convenience store is embroiled in what has been called a precedent-setting lawsuit which charges that the store illegally sold cigarettes to minors.

It is reportedly the first time a retailer has been sued in a tobacco liability case.

A Store 24 store and Philip Morris were named by two plaintiffs who claimed they were buying cigarettes six years ago at the store, at the ages of 12 and 15 and developed smoking habits. The minor age in Massachusetts is under 18 years old.

In a ruling in July, the Massachusetts Supreme Court overrode arguments by the retailer's attorneys and allowed Store 24 to be named in the suit.

"There will be many others (lawsuits) simply because the threat of a lawsuit becomes a very powerful tool to insist on enforcement," Brad Krevor, executive director, Group Against Smoking Pollution. GASP is paying for "most" of the plaintiffs' legal bills.

"We have been disturbed about flagrant disregard of laws on sales to minors," Krevor added.

The court also allowed the plaintiffs to sue Philip Morris on the alleged grounds that the product caused injury. It blocked the plaintiffs, though, from pursuing a claim that the vendor should be held responsible for the sale to minors.

According to Richard Daynard, GASP's president, the lawsuit has since been dropped against Philip Morris. The suit against Store 24 is "ready to be tried," he said last month, though out-of-court negotiations have also been pursued.

Besides naming Store 24 for breaking the law in selling to minors, the lawsuit charges that Store 24 "maintained a nuisance," that it broke the law on product liability grounds for selling an addictive substance, and that it is guilty of "negligent distribution" of a "dangerous" substance to a minor, Daynard said.

Philip Morris declined to comment, as did an official at Store 24, a 109-store chain in four New England states.

Genovese keeps cigarettes behind checkout counter

Genovese store in Bay Shore, Long Island, displays cigarettes prominently behind the checkout counter, where they are protected and don't clutter the checkstand.

Drug stores protest proposed tobacco ban in Ontario

ONTARIO — In Ontario, a proposed ban on tobacco sales in all 2,160 drug stores has whipped up protest.

David Bloom, Imasco Drug Retailing Group ceo, is stuck on the fact that the proposed policy applies only to drug stores—classed as "pharmacies" only, despite the presence of front-end merchandise—and not to other classes of trade which operate pharmacies within their stores.

Thus, a food/drug combo or discount store which operates in-store pharmacies could skirt the tobacco restriction simply by keeping cigarettes away from the pharmacy area.

"This is a big problem. We won't be dealing on a level playing field," said Bloom.

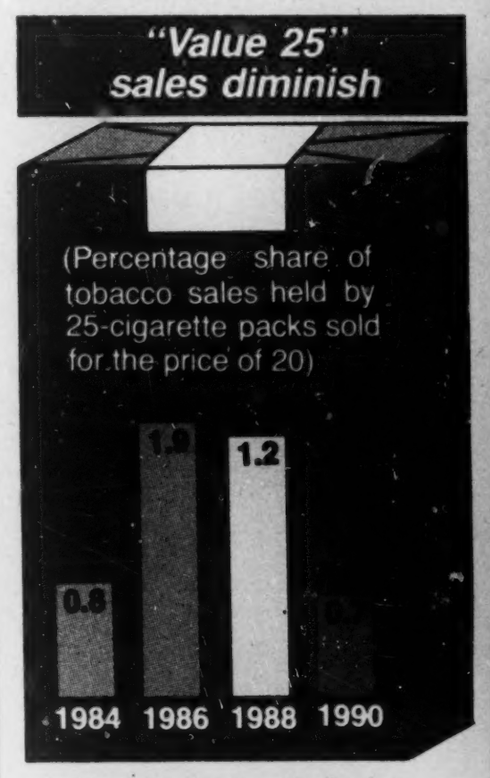
A.J. Dunsdon, executive director of the Ontario College of Pharmacy, acknowledged that "this is one of the dilemmas faced by the [college's governing] council. I assure you we're aware of that."

"The most likely remedy would be to treat tobacco like liquor, which is sold [in Ontario] through the Control Board. That would level the playing field [for] retail pharmacists."

Such a change would require a bigger piece of legislation than that being developed by the council's task force.

Meanwhile, the council's efforts seem to have reopened the old question of just what constitutes a drug store in Ontario. Hand-in-hand with that question goes another: how much control does the College of Pharmacy have over a non-traditional drug outlet like a combo store?

Either way, said Dunsdon, "[The council] is not put on this earth to improve the economic welfare of pharmacists . . . but [we] have to take cognizance of the potential impact."



"Value 25" sales have declined as value-conscious consumers show preference for value-priced generics and branded generics packaged in 20s. RJR's Century, Philip Morris's Players Lights, and Brown & Williamson's Richland have been the leading "value 25" brands.

Source: John Maxwell, Jr. Wheat First Securities

Town wants Rxs to snuff smokes

NEWTON, Mass. — Newton is laying claim to the dubious distinction of being the only U.S. municipality that would ban cigarette sales in drug stores.

People in this Boston suburb proposed such a law this year. The effort was tabled after local pharmacies, including CVS, spoke against the plan, said Brad Krevor, executive director, Group Against Smoking Pollution (GASP).

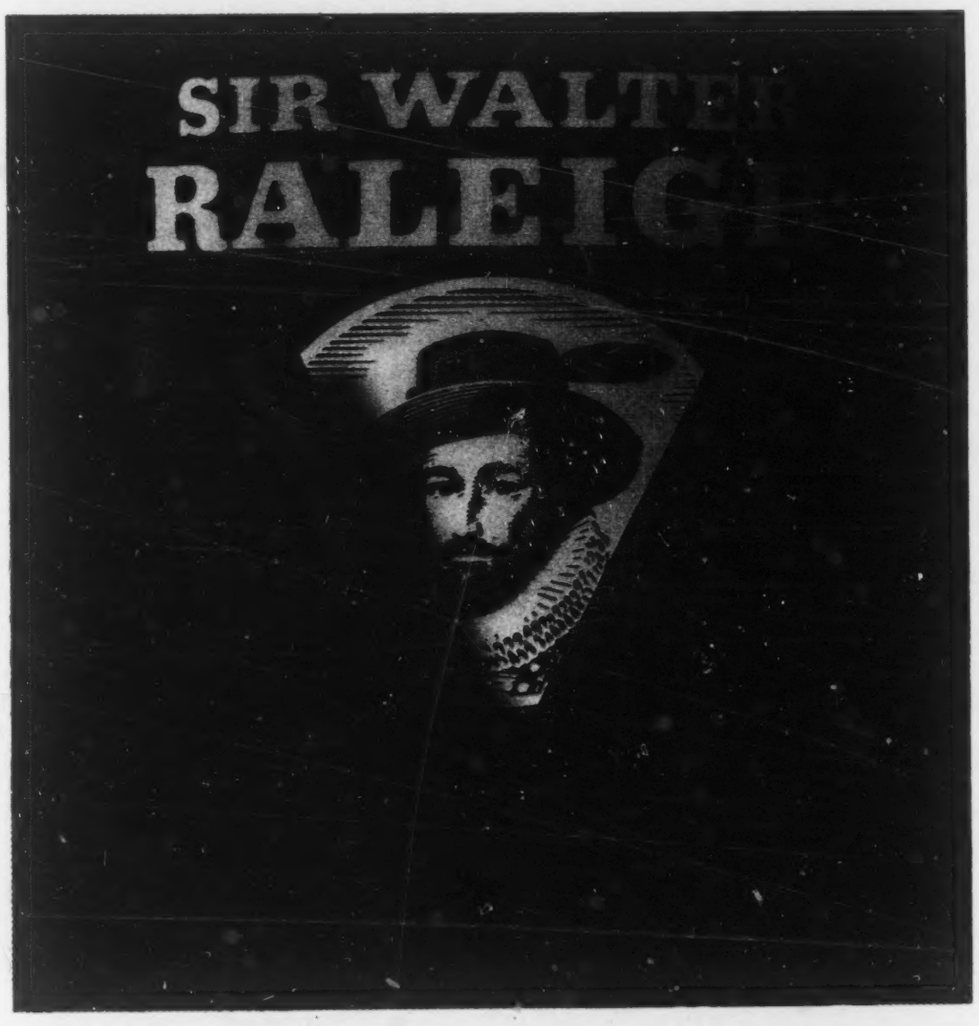
CVS argued that it operates a carefully supervised program, doesn't promote tobacco sales, and rejects money from tobacco companies for that purpose, Krevor said. CVS was not available for comment.

"The drug stores' response was 'why should we be singled out,' " said Krevor, referring to the position taken by a number of drug chains he said were represented at a recent hearing.

Krevor's group has a different viewpoint: "These are businesses which are there to support the health of their customers. Why promote the leading preventable cause of death in this country," asked Krevor, whose group is a national lobbying organization.

Krevor said that the Newton plan targeting pharmacies is the only one of which he knows.

Your Perfect Companion



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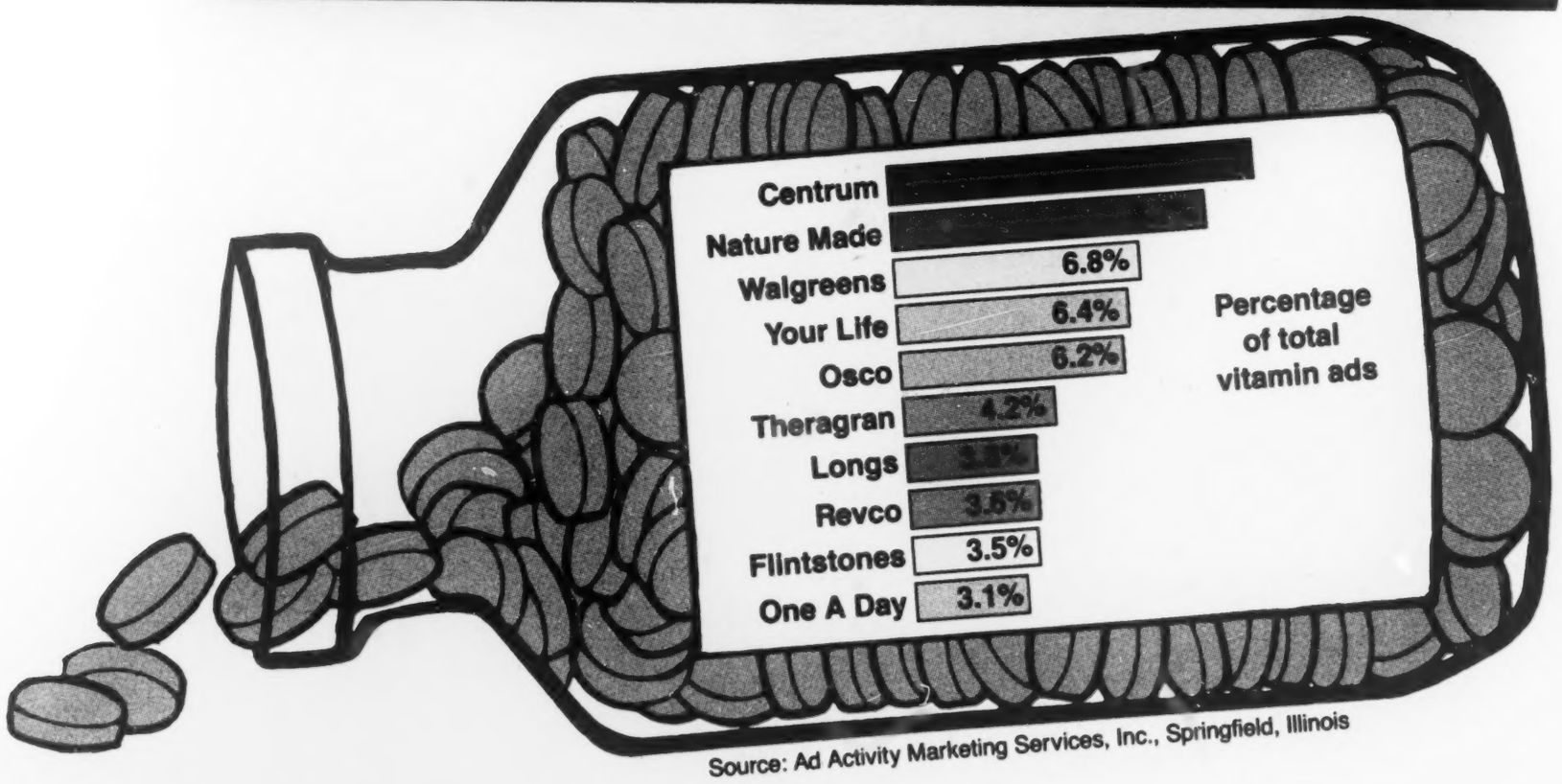
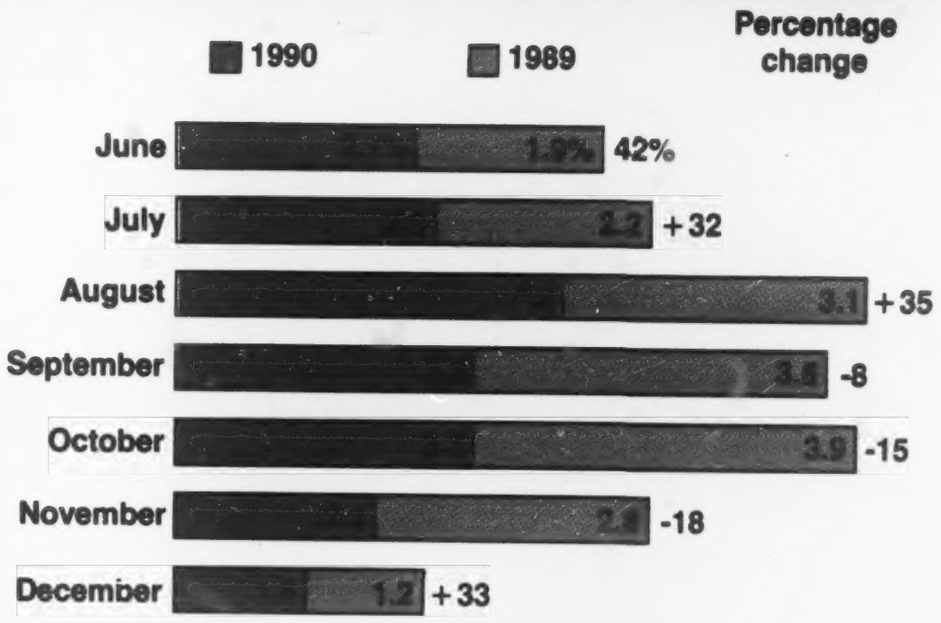
Most frequently advertised vitamins in Top 50 drug chain circulars
(June 1990 - December 1990)



Source: Ad Activity Marketing Services, Inc., Springfield, Illinois

May's gets energized from vitamin section

Percentage of ad space given to vitamins/diet aids in Top 50 drug chain circulars



Source: Ad Activity Marketing Services, Inc., Springfield, Illinois

Vitamin market at-a-glance

- **28.6 percent** of total U.S. households bought adult multivitamins at least once during the last 12 months.
- Main reasons for taking vitamins were to feel healthier/feel better (**37 percent**) and to supplement diet (**21 percent**).
- The drug store class continues to **lose** sales due to continued trend of one-stop shopping and sharper prices in food and mass merchandise stores.
- Industry observers predict that category sales will be **flat** through 1995 because Americans feel they are eating healthier. Vitamin-fortified juices and snacks, along with hype of fish oil, calcium and bran hurt consumer trust.
- Retailers expect an **increase** in on-pack/in-pack promotions to extend promotional shelf life.
- Rebates will continue to be the **primary promotional tool.** Competitive rebating has already led to increased brand switching and decreased brand loyalty. Future promotions will need to promote continuity of purchase, yet remain value oriented.

Source: Bristol-Myers Products

May's Drug has rolled out a new vitamin section chainwide this winter, and president Gerald Heller is pumped up by its early performance.

"We didn't anticipate such increased movement, and we actually ran out of stock on some items. I'm upset that I underplanned it," he said.

The transition began a year ago, when May's began to scrutinize vitamins. "We had a very, very broad line," said Heller, describing how the chain kept adding SKUs without culling over more than a decade.

Demographics put vitamins at the top at SDM

Demographic targeting is the key to vitamin punch at Shoppers Drug Mart. The chain recently restaged its multi-vitamin line, which, according to Roman Niemy, president-corporate brands, "took us over the top into a positive picture with vitamins."

With the category flat, Shoppers sought to create excitement for its "Life" brand. "We wanted to get a fresh approach to the business," Niemy said. "So, we decided to segment the market very precisely."

The chain restaged the line along demographic lines, marketing toward teens, adults, 50-plus, and children—a category Niemy says "has always been a big seller for us."

Repackaging clearly defines the new segmentation, and "the line should take off in the stores," he added. "Our previous program was stagnant. We hadn't had any revisions for a long time."

A restage of single entity vitamins, he said, will be the chain's next direction.

At first, he personally trimmed the assortment to parallel today's vitamin industry profile. He began to emphasize, for example, higher dose units such as zinc 50s and vitamin C 500s, and added vitamin C with rosehips, which has become popular.

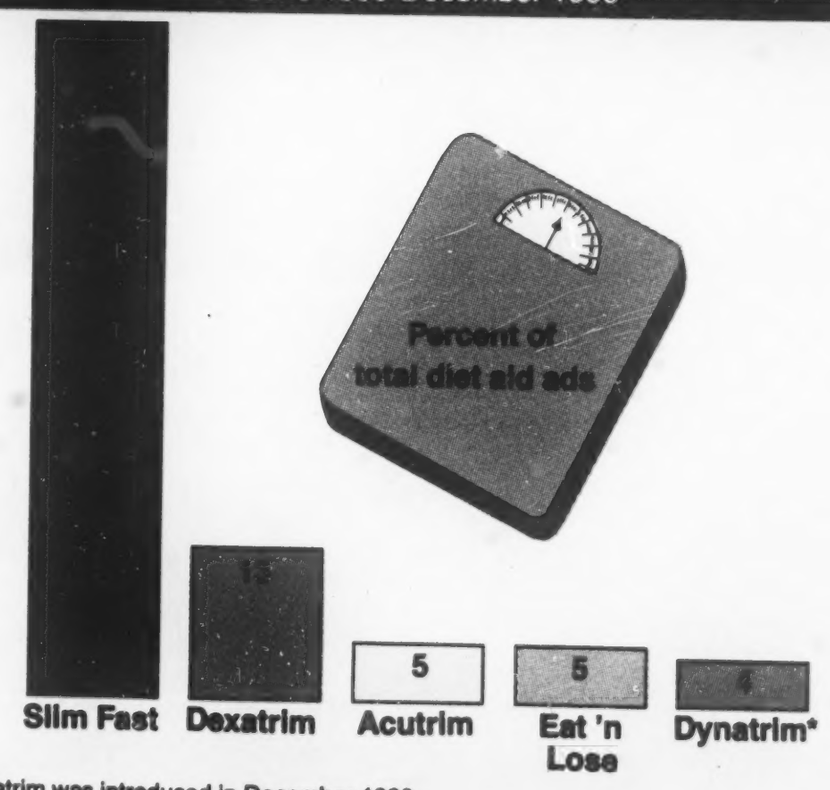
These additions and deletions of smaller count SKUs brought a new planogram to the category. Vitamins still get 30-72 linear feet, depending on the store (higher income neighborhood stores tend to sell more vitamins), but repackaging and added color on labels modernize the section's appearance. In all stores, vitamin displays remain next to the pharmacy service counter.

Heller finds the category a challenge—one reason why he tends to it himself. "Vitamins are my pet area. As a pharmacist, I think I have a good feel for the market."

He characterized the vendor situation as in flux, with buyouts of three different vendors over the past few years, leaving Heller reluctant to turn the category over to someone else. "It requires a lot of time and energy, because there's such a big mix of product. As soon as I get it completely redone like I want, I might consider it."

Heller doesn't let himself off the hook, just because he's president of the company. "Being president hasn't really given me an advantage with the vendors," he laughed. "In fact, all it's done is put more pressure on me in my own company!"

Most frequently advertised diet aids Top 50 drug chain circulars
June 1990-December 1990



*Dynatrim was introduced in December 1990.
Source: Ad Activity Marketing Services, Inc., Springfield, Illinois

Diet aid companies offer more for weight-watchers

Line extensions seem to be the hard hitters in diet aids, retailers tell *Drug Store News*. Ad activity promoting these items continues to increase, playing to consumers' continued obsession with health and weight.

Industry observers still place Thompson Medical's Ultra Slim Fast as the market leader—and they are seeing an impact of the newly introduced powder for fruit juices. "These line extensions are keeping the category growing at a tremendous rate and keeping the consumers' interest level up," Eugene Applebaum, Arbor Drugs' ceo, said through a spokesman.

'Line extensions keep the consumers' interest level up.'

Applebaum, Arbor

Success spurs other vendors

The success of Ultra Slim Fast spurred other vendor launches, including Slim Quick from Nature's Bounty; Eat 'N Lose's improved Shake and Crunch snack products, from CCA; NutriBevco's Nutra Rich shake and Protector Series II (targeting seniors); Bahamian Diet, from Correction Connection.

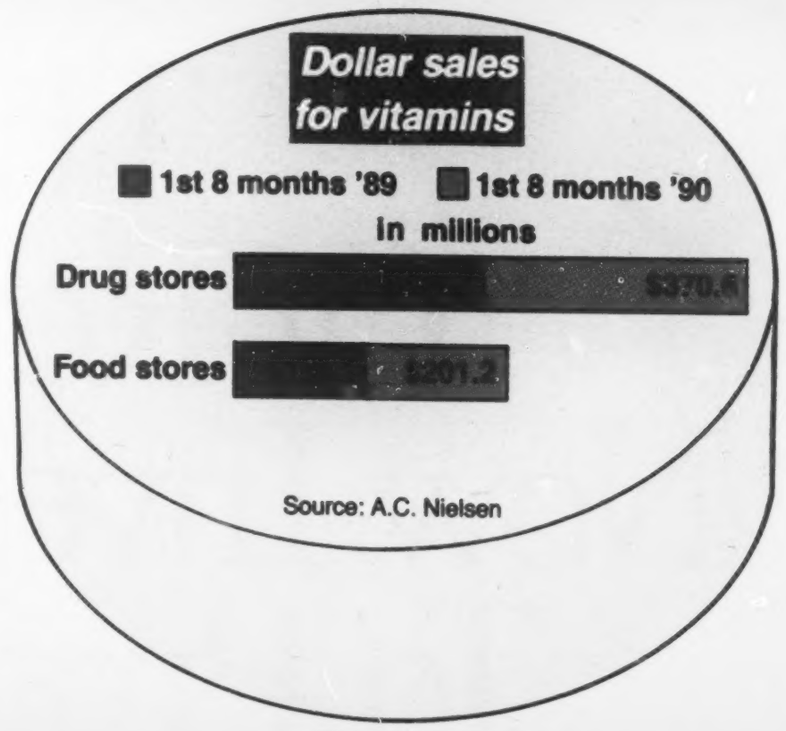
The versatility of Lederle's Dynatrim, which can be consumed as a shake, mousse or frozen dish, is also appealing to weight-watching Americans.

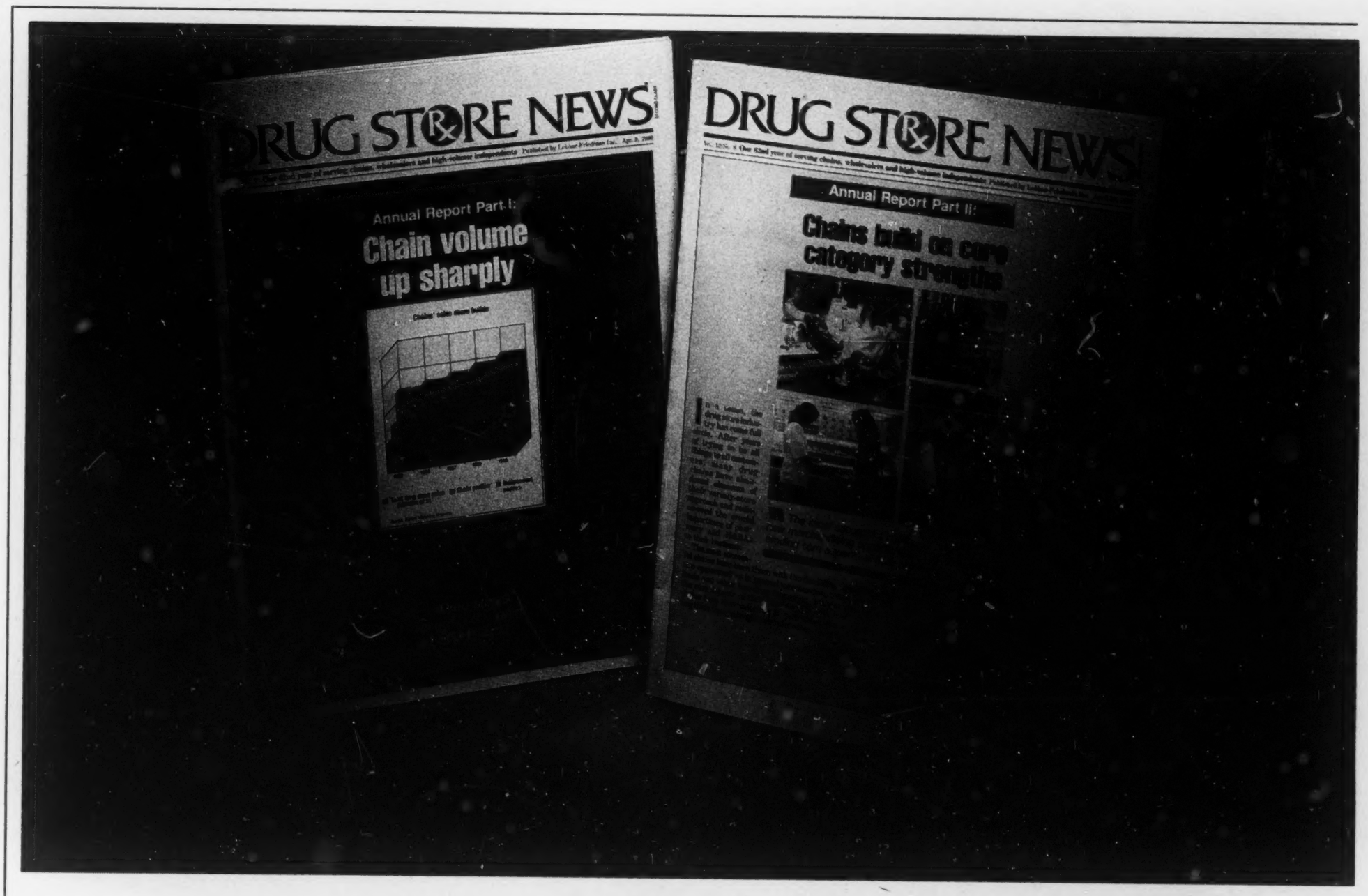
Entrees introduced

The latest market entry is Slim Fast Entrees, now being test-marketed in 10 sites throughout the country. The 12-entree line, each within the 250-400 calorie range, will be available nationally by this summer.

Retailers seem eager to get the entrees in their stores. "People are still very concerned about their diet plans, and adding line extensions like these entrees will undoubtedly help the overall category grow," one major western retailer told *Drug Store News*.

In addition, Slim Fast has created awareness by connecting with TCBY Yogurt. The company has agreed to blend the shake mix with its yogurt, to give dieters one more option to use on the plan.

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Annual Report Part II:
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Fay's reports record fourth qtr. and 12 mos.

LIVERPOOL, NY. — Fay's, Inc. posted record fourth quarter and 12-month earnings for the year ended Jan. 25, as same-store sales for the year increased 8.9 percent. The results don't include the 48-store Carls Drug chain which Fay's has agreed in principle to buy.

Annual earnings before extraordinary charges were $12.3 million, or 80 cents a share, compared with $10.4 million, or 68 cents a share last year. After charges of $1.24 million, earnings are $11.1 million, or 72 cents a share.

The charges stemmed from the 1991 purchase of $27 million face value 13 3/4 percent subordinated debentures. Year-to-year comparison was also affected by an unusually low tax rate in 1990 due to the use of capital loss carry forwards, Fay's reported.

Revenues for the year increased 17.2 percent to $672.6 million.

Fourth quarter net earnings were $5 million, or 43.6 percent better than last year's comparable quarter. Sales were $190.7 million, up 17.9 percent.

Expressing pleasure with the results, chairman Henry Panasci, Jr. pointed to improvements in gross margin and operating expense ratios. "The current economic situation has not dampened our expectations. We feel confident that our momentum in sales will continue and further improvement in expense ratios is possible," Panasci said.

Genovese posts record earnings on 309% increase in fourth qtr.

MELVILLE, NY. — Genovese Drugs posted a 309 percent increase in fourth quarter net income for the period ended Feb. 1, with record earnings of $2.68 million, or 40 cents a share compared with last year's $656,000 (ten cents a share).

Fourth quarter sales increased 2.4 percent to a record $113.1 million, helping to drive record sales for the full year. Twelve month sales were $432 million, or 6.6 percent better than last year. Net earnings for the 12 months were $5.5 million or 82 cents a share, which was one cent a share off the record earnings reached in the 1989 fiscal year.

This year's earnings are 99 percent better than last year's.

Arbor posts 12.9% increase in net income for second qtr.

TROY, Mich. — Arbor Drugs posted a 12.9 percent increase in net income for the second quarter ended Jan. 31, with earnings of $4.1 million, or 43 cents per share.

Chairman Eugene Applebaum, noting that the results include the holiday shopping season, said the earnings and sales are the best quarterly performance in the company's history.

Sales grew 18.6 percent to $107.3 million, making this the first time the company's quarterly sales have surpassed the $100 million mark. Comparable-store sales climbed a robust 9.1 percent, and are up 9.7 percent for the six months.

Six-month sales are $200.2 million, with six months earnings of $6.8 million, or 71 cents per share.

Durr-Fillauer's net income rises for the fourth quarter and year

MONTGOMERY, Ala. — Durr-Fillauer posted net income of $17.1 million on revenues of $815.5 million for the year ended Dec. 31.

Net income for the previous year was $14.5 million on sales of $705.8 million.

For the fourth quarter, net income was $5.0 million, versus $4.4 million in the year-earlier period, and revenues were $213.1 million, compared with $188.6 million.

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Vol. 13, No. 6 Mar. 18, 1991

MARKET DIARY:

Largest Dollar Gainer	American Stores	$	10.38	Advances	47
Largest Dollar Loser	American Home Products	$	– 1.75	Declines	7
Largest Percentage Gainer	ICN Pharmaceutical		48.48%	Unchanged	3
Largest Percentage Loser	Big B		– 8.33%	New highs	31
				New lows	0

	Close 2/19/91	Close 3/5/91	Net Change	Percent Change
Drug Store News Index	3721.06	3929.06	208.00	5.59
Dow Jones Industrial Average	2932.18	2972.52	40.34	1.38
Standard & Poor's 500-Stock Index	369.39	376.72	7.33	1.98
N.Y.S.E. Composite	201.40	205.74	4.34	2.15
Value Line Index	228.45	222.00	– 6.45	– 2.82

Source: Nordby International Inc., Boulder, Colo.

DRUG STORE NEWS INDEX

Exch	Company	Ticker Symbol	Closing Price 2/19/91	Closing Price 3/5/91	Net Change In Period	Percent Change In Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	Annual High	Annual Low
Chain store transactions											
OTC	Accuhealth Inc.	ACCU	6.38	6.50	0.13	1.96	25	0.00	0.00	7.56	4.50
OTC	Arbor Drugs (H)	ARBR	23.25	24.00	0.75	3.23	20	0.20	0.83	24.50	13.25
OTC	Big B	BIGB	9.00	8.25	– 0.75	– 8.33	– 20	0.00	0.00	13.13	4.75
OTC	Drug Emporium	DEMP	7.75	8.13	0.38	4.84	13	0.12	1.48	11.00	6.25
NYS	Fay's Inc. (H)	FAY	11.50	11.00	– 0.50	– 4.35	15	0.20	1.82	11.63	7.25
ASE	Genovese Drug (H)	GDX.A	7.75	9.75	2.00	25.81	18	0.24	2.46	9.75	5.50
NYS	Longs Drug Stores	LDG	36.50	36.13	– 0.38	– 1.03	12	1.04	2.88	43.63	30.88
OTC	Medicine Shoppe	MSII	24.25	25.00	0.75	3.09	22	0.24	0.96	26.75	15.50
NYS	Perry Drug	PDS	6.00	6.38	0.38	6.25	106	0.00	0.00	9.88	3.75
NYS	Rite Aid Corp. (H)	RAD	43.13	44.13	1.00	2.32	18	1.00	2.27	44.13	29.50
NYS	Walgreen Co.	WAG	31.88	32.00	0.13	0.39	22	0.44	1.38	32.88	20.63
Wholesaler's transactions											
ASE	Bergen Brunswig (H)	BBC	31.75	30.75	– 1.00	– 3.15	16	0.40	1.30	31.88	21.38
OTC	Bindley Western Ind. (H)	BIND	14.00	17.13	3.13	22.32	17	0.04	0.23	17.63	8.63
OTC	Cardinal Distribution (H)	CDIC	34.63	34.75	0.13	0.36	29	0.08	0.23	37.00	16.50
OTC	Durr-Fillauer (H)	DUFM	27.88	29.50	1.63	5.83	22	0.24	0.81	29.50	16.00
ASE	Ketchum	KCH	2.25	2.25	0.00	0.00	– 3	0.00	0.00	2.75	1.25
NYS	McKesson Corp.	MCK	34.13	34.25	0.13	0.37	15	1.60	4.67	38.38	26.88
ASE	Moore Medical	MMD	6.00	6.50	0.50	8.33	– 8	0.00	0.00	7.38	3.50
NYS	Owens & Minor	OMI	17.63	18.00	0.38	2.13	17	0.24	1.33	18.75	10.75
Manufacturer's transactions											
NYS	Abbott Labs	ABT	46.88	45.63	– 1.25	– 2.67	21	0.84	1.84	47.88	31.38
NYS	American Home Products (H)	AHP	59.38	57.63	– 1.75	– 2.95	15	2.28	3.96	59.63	43.00
NYS	Baxter International (H)	BAX	31.50	32.00	0.50	1.59	– 229	0.72	2.25	32.00	20.50
OTC	Block Drugs Co. (H)	BLOCA	45.63	47.00	1.38	3.01	17	0.80	1.70	47.00	29.63
ASE	Bolar Pharmaceutical	BLR	4.75	6.25	1.50	31.58	– 5	0.00	0.00	10.00	1.88
NYS	Bristol-Myers Squibb (H)	BMY	75.88	77.50	1.63	2.14	23	2.40	3.10	78.00	51.00
NYS	Carter-Wallace (H)	CAR	59.63	62.63	3.00	5.03	18	0.92	1.47	62.63	44.88
ASE	Columbia Labs	COB	8.00	7.50	– 0.50	– 6.25	– 5	0.00	0.00	14.75	3.63
ASE	Forest Labs (H)	FRX	30.63	35.63	5.00	16.33	41	0.00	0.00	35.63	17.50
ASE	Halsey Drug	HDG	3.13	3.69	0.56	18.02	369	0.00	0.00	5.44	2.13
NYS	ICN Pharmaceutical (H)	ICN	4.13	6.13	2.00	48.48	– 3	0.00	0.00	6.13	2.50
ASE	Lee Pharmaceutical	LPH	1.25	1.25	0.00	0.00	– 7	0.00	0.00	2.75	0.88
ASE	Leiner P. Nutrition	PLI	10.75	11.13	0.38	3.49	10	0.00	0.00	12.63	6.75
NYS	Lilly Eli Co.	LLY	81.25	84.38	3.13	3.85	22	2.00	2.37	90.38	60.63
NYS	Marion Labs (H)	MKC	37.50	38.88	1.38	3.67	22	0.80	2.06	39.63	21.00
NYS	Merck Co. (H)	MRK	102.38	104.00	1.63	1.59	23	2.24	2.15	104.50	67.13
NYS	Mylan Labs	MYL	22.25	23.88	1.63	7.30	26	0.20	0.84	24.75	13.75
NYS	Par Pharmaceutical	PRX	5.13	5.25	0.13	2.44	– 4	0.00	0.00	8.13	3.38
NYS	Pfizer Inc. (H)	PFE	104.00	107.25	3.25	3.13	22	2.64	2.46	107.25	55.00
NYS	Rhone-Poulenc Rorer (H)	RPR	80.25	81.75	1.50	1.87	– 157	0.84	1.03	81.75	56.75
NYS	Schering Plough (H)	SGP	47.75	51.00	3.25	6.81	20	1.12	2.20	51.00	38.25
NYS	Syntex Corp. (H)	SYN	70.88	78.13	7.25	10.23	24	1.60	2.05	78.13	47.13
OTC	Taro-Vit Industries	TAROF	3.38	3.38	0.00	0.00	– 56	0.00	0.00	3.38	0.88
NYS	Upjohn Co. (H)	UPJ	41.38	45.00	3.63	8.76	18	1.16	2.58	48.00	33.00
NYS	Warner-Lambert (H)	WLA	77.00	78.00	1.00	1.30	22	1.76	2.26	80.00	50.50
OTC	Zenith Labs	ZENL	6.25	6.50	0.25	4.00	– 1	0.00	0.00	9.50	3.75
Other retailer transactions											
NYS	Albertson's (H)	ABS	39.38	42.00	2.63	6.67	26	0.48	1.14	42.00	26.50
NYS	American Stores (H)	ASC	68.88	79.25	10.38	15.06	18	1.12	1.41	79.25	42.63
NYS	Giant Food (H)	GFS.A	29.88	31.00	1.13	3.77	16	0.60	1.94	31.00	21.13
NYS	Great Atlantic&Pacific Tea	GAP	52.63	53.38	0.75	1.43	13	0.80	1.50	59.63	37.75
NYS	Kmart (H)	KM	35.75	38.63	2.88	8.04	23	1.72	4.45	38.63	23.38
NYS	Kroger (H)	KR	20.50	22.25	1.75	8.54	23	0.00	0.00	22.25	10.63
NYS	Melville Corp.	MES	48.50	49.88	1.38	2.84	14	1.44	2.89	57.75	32.75
OTC	Fred Meyer	MEYR	15.25	16.00	0.75	4.92	– 80	0.00	0.00	18.25	10.00
NYS	Penney, JC	JCP	53.38	56.38	3.00	5.62	12	2.64	4.68	70.88	37.38
NYS	Safeway (H)	SWY	16.50	18.88	2.38	14.39	21	0.00	0.00	18.88	10.25
NYS	Smith's Food & Drug (H)	SFD	38.63	40.00	1.38	3.56	29	0.36	0.90	40.00	24.25
NYS	Wal-Mart (H)	WMT	36.75	37.00	0.25	0.68	33	0.12	0.32	38.13	22.38

Key: (H) = New annual high reached in the bi-weekly period. (L) = New annual low reached in the bi-weekly period. (d) = Deficit. NYS = New York. ASE = American. OTC = Over the counter. (s) = Reflects stock split.
Source: Nordby International, Inc., Boulder, Colorado (303) 449-0326.